



KEY POINTS

- Despite material economic headwinds and current public market volatility, MXT's portfolio continues to deliver capital stability reflected in the daily published NAV.
- MXT always has and continues to exceed its Target Return (RBA Cash Rate +3.25% pa (net of costs)). *Past performance may not be repeated.*
- MXT's Unit Price has traded below NAV with funds associated with Metrics acquiring MXT units.
- MXT's underlying portfolio is appropriately diversified and while some borrowers are experiencing the demand, supply and / or liquidity impacts of COVID-19, loans to which MXT is exposed have covenants, controls, security and equity buffer to enable Metrics as investment manager of the funds in which MXT is invested to actively manage risk to protect capital value.
- Metrics Credit Partners Diversified Australian Senior Loan Fund (~60% of MXT capital) has been upgraded by S&P to a higher investment grade rating of A- (stable outlook).
- There will be a Livewire webinar interview with James Marley at 2pm on 2 April 2020 to provide an update on the portfolio and market outlook. Email invest@metrics.com.au for details.

Economic and Market Conditions

- The spread of COVID-19 has quickly evolved into an event that has created substantial public market volatility and is resulting in a significant working capital liquidity squeeze for companies globally. Government action to halt the rapid spread has seen dramatic declines in company revenues across many sectors.
- Based on current responses, there is likely to be a significant increase in debt within the government and corporate sectors and unfortunately rising unemployment, falling asset values and a need for corporate balance sheet repair to reduce leverage by way of future dilutionary equity raisings for shareholders.
- Dividend distributions from companies are likely to be impacted as corporates seek to retain future earnings to restore liquidity buffers and balance sheets. If these risks eventuate and economic activity takes longer to recover then investor returns from traditional growth assets are expected to be lower.
- The education (including student accommodation), tourism & travel, retail, retail & commercial properties, hotel & hospitality industries have been most immediately impacted. In tandem with this pandemic has been further volatility in the price of oil impacting an energy sector that has only recently recovered from 2015-16.
- To add to the real economic shock public equities, fixed income and offshore credit markets have experienced significant volatility, with market movements exaggerated by leverage, poor liquidity and position covering.
- The NAV of ASX-listed trusts that participate in these public markets reflect this volatility and the inherent lower credit quality of assets held. Volatility is amplified by holding instruments with longer tenor, lower credit quality, weaker covenants and weaker controls around leverage and distributions or subordinated notes in investment vehicles.

The Trust Company (RE Services) Limited ABN 45 003 278 831 AFSL 235 150 is the Responsible Entity of MCP Master Income Trust and the issuer of this quarterly update.

Trust Information

Trust MCP Master Income Trust
ARSN 620 465 090

ASX Ticker Code MXT

Price/NAV (share)⁽¹⁾⁽²⁾ \$1.69/\$2.00

Market Cap./NAV⁽¹⁾⁽²⁾ \$1.08b/\$1.28b

Unit Pricing Daily

Distributions Monthly

Responsible Entity

The Trust Company (RE Services) Limited ACN 003 278 831 AFSL 235 150.

Investment Manager

Metrics Credit Partners Pty Ltd ACN 150 646 996 AFSL 416 146 (Metrics)

Investment Objective

Provide monthly cash income, low risk of capital loss and portfolio diversification by actively managing diversified loan portfolios and participating in Australia's bank-dominated corporate loan market.

Investment Strategy

Provide exposure reflecting activity in the Australian corporate loan market with diversification by borrower, industry and credit quality. Metrics seeks to implement active strategies designed to balance delivery of the Target Return, while preserving investor capital.

Target Return

RBA Cash Rate +3.25% pa net of fees.

Investment Highlights

- Experienced and active management team with proven track record
- Monthly cash income from floating rate Australian direct lending
- Attractive risk-adjusted returns from a diversified portfolio
- Portfolio diversification in Australian corporate fixed income
- Attractive fee structure and stable Net Asset Value (NAV) backing

Fund Performance to 31 March 2020

	1mth	1yr	3yr ⁽³⁾	5yr ⁽³⁾	Incep ⁽³⁾⁽⁴⁾
Net Return (%)	0.43	5.35	-	-	5.44
RBA Cash Rate (%)	0.04	0.96	-	-	1.29
Distribution (%)	0.43	5.35	-	-	5.42
Spread to RBA (%)	0.39	4.39	-	-	4.13

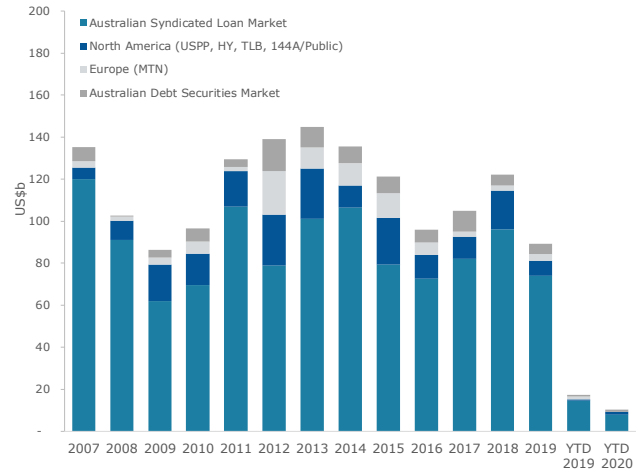
Past performance is not a reliable indicator of future performance.



Australian Corporate Loan Market

- Despite the volatility in public markets, Australia’s bank-dominated corporate loan market remains open. While new-money primary lending is slowing, the investment manager of MXT has noted that loan transactions negotiated pre-COVID-19 are being successfully closed.
- Given the uncertain economic outlook, lenders are cautiously assessing new lending and are actively working with existing borrowers where necessary including short and medium term liquidity assistance.
- Lenders are being sensibly accommodative with a view that current conditions are temporary.
- A number of public and private acquisitions have been terminated due to material adverse change provisions being triggered.
- The Australian Corporate Bond Market is effectively closed at present with a number of companies with existing issuances working with banks as a backstop.

Australian Corporate Debt Issuance (public & private markets)



Fund Performance

Past performance is not a reliable indicator of future performance.

- MXT’s net returns have been consistent since listing.
- These returns reflect net cash income generated from interest and other fees charged to borrowers across a diversified portfolio of loan assets to 146 Australian corporate borrowers.
- MXT benefits from investing in private market transactions. Market participants are generally regulated banks who typically behave very differently to funds and institutions that participate in traded public markets (equities, fixed income and offshore credit markets).
- Banks hold loans on their balance sheet and work with their borrowers in good and difficult trading conditions. They also price loans based largely on their cost of funding. Price volatility is not a feature of this market.
- MXT has consistently outperformed its Target Return and never had a negative month of income.

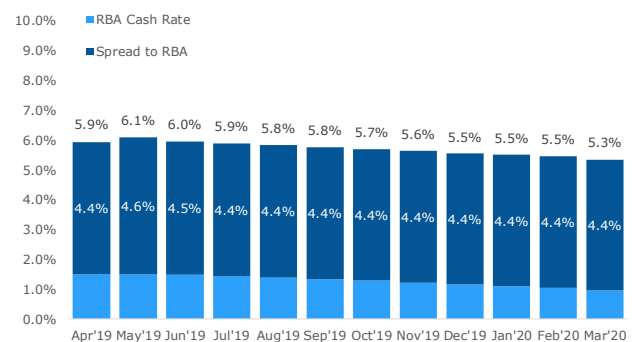
Fund Returns (Net)⁽⁵⁾⁽⁶⁾

(%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.45	0.41	0.43										1.30
2019	0.48	0.47	0.54	0.54	0.52	0.33	0.43	0.43	0.38	0.42	0.42	0.43	5.41
2018	0.38	0.32	0.43	0.38	0.38	0.45	0.50	0.49	0.45	0.49	0.47	0.52	5.27
2017	-	-	-	-	-	-	-	-	-	0.46	0.35	0.41	1.23

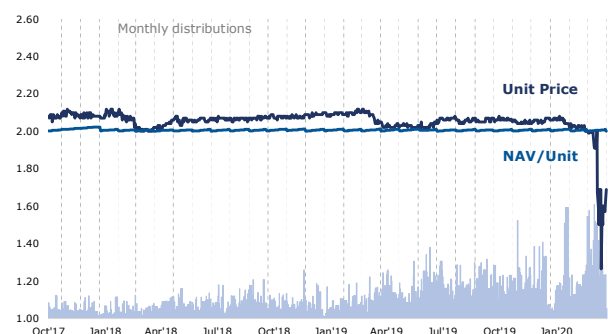
Trading Performance

- The discount of MXT’s unit price to NAV is not easily explained by reference to the fundamental values of the performing loans which it is exposed.
- The loans to which MXT is exposed are short dated mitigating credit and market risk. Since inception the weighted average tenor of MXT’s loan investments has been 2.6 years and loans have been originated over time resulting in regular repayments at par.
- In addition to MXT’s half year and annual audit process, MXT’s Responsible Entity also engages an international accounting firm to conduct an independent portfolio credit and pricing review on the loans which MXT is exposed to. This is done monthly, in order for the Responsible Entity to be able to provide an accurate NAV for MXT and has just been completed for March.

Trailing 12-Month Returns



NAV / Unit and Unit Price Performance



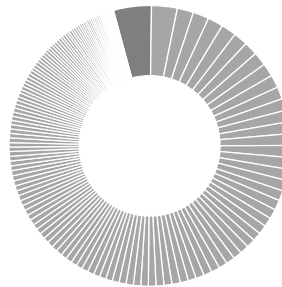
NOTE: Entitlement Offer announced February 2018, April 2019 and January 2020.



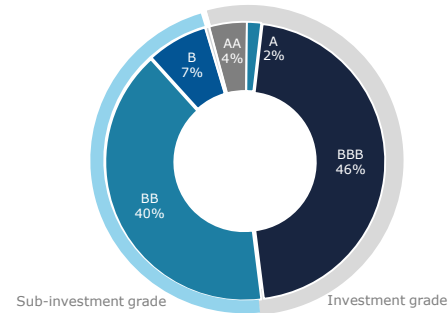
Portfolio Construction

- MXT's underlying portfolio is well diversified across borrowers, industries and the credit spectrum. Average borrower exposure is <1% per counterparty.
- MXT's largest risk is borrower credit risk, this is, the risk of actual loss of capital in the event of a default. Such a loss would arise after all recovery actions have been taken. This is sought to be mitigated by detailed credit analysis, structuring loans reflecting risk and ensuring appropriate covenants and controls to allow for active monitoring and loan management. Please refer to page 6 in respect of the impact of COVID-19 on MXT.
- The funds to which MXT is exposed lends across the credit spectrum seeking to balance investor return expectations with the need to preserve and protect investor capital. MXT's exposure is therefore not skewed to sub-investment grade assets chasing yield at greater risk of credit loss.
- MXT's Commercial Real Estate debt exposure is secured by freehold property at an average loan-to-value ratio (LVR) of 62%, providing alignment with the interests of equity holders.
- 87% of MXT's underlying assets are senior ranking loans controlling enforceability.

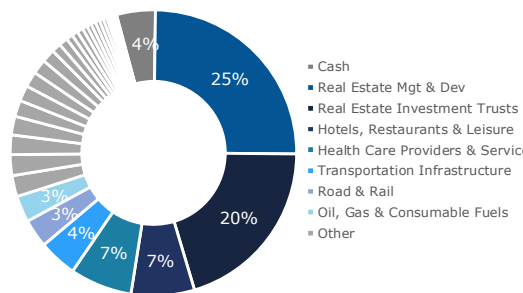
Borrower Diversification



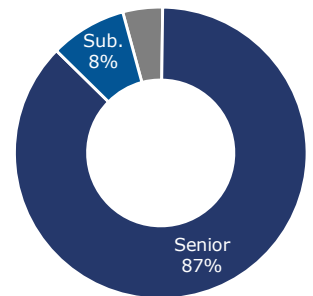
Credit Quality Diversification⁽⁷⁾



Industry Diversification⁽⁸⁾

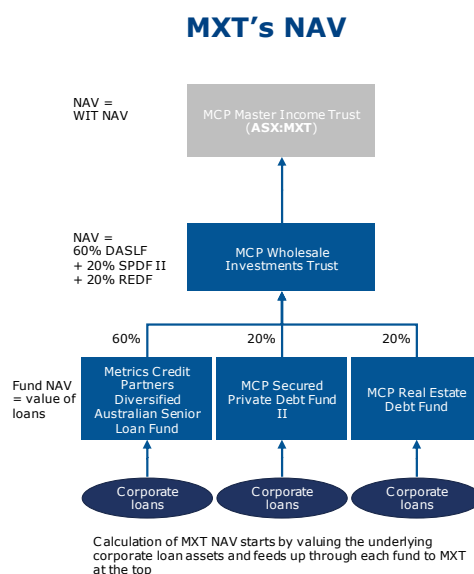


Ranking in Capital Structure



Understanding MXT's Net Asset Value (NAV)

- MXT holds units in the MCP Wholesale Investments Trust (WIT) which invests in 3 Metrics managed funds (**Underlying Funds**):
 - Metrics Credit Partners Diversified Australian Senior Loan Fund (60-70% of capital, A\$3,107m wholesale fund);
 - MCP Secured Private Debt Fund II (20-30% of capital, A\$463m wholesale fund); and
 - MCP Real Estate Debt Fund (15-20% of capital, A\$608m wholesale fund).
- Across these 3 funds, MXT is exposed to 146 loans to Australian corporate borrowers. MXT's NAV is indirectly the sum of the value of all these loan assets.
- Each day loans are priced in accordance with each Underlying Fund's valuation policy. Value comprises carry value plus accrued interest. Value builds in each Underlying Fund's NAV, which flows up through WIT into MXT's daily published NAV.



Valuing a Corporate Loan

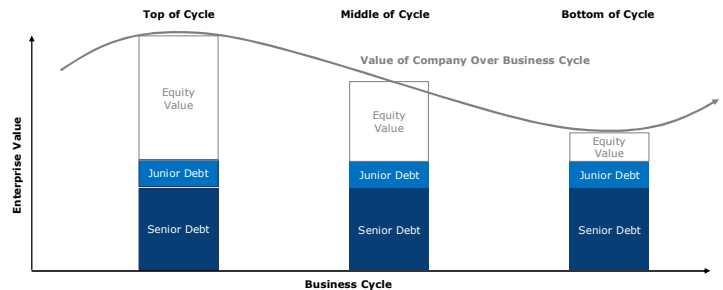
- Loans impose a legal contractual obligation on borrowers to repay debt on a maturity date.
- A loan gets repaid and the lender receives cash.
- If the borrower doesn't repay the full amount, they are in default.
- Corporate loans are almost always secured enabling the lender to enforce securities to recover the outstanding debt if not repaid.
- Corporate loans also typically have covenants and controls to enable the lender to monitor risk and to act to protect value if borrower performance deteriorates.
- Valuing loans is relatively straight forward and verifiable upon repayment. In this respect unlike other asset classes, valuations are less subjective.



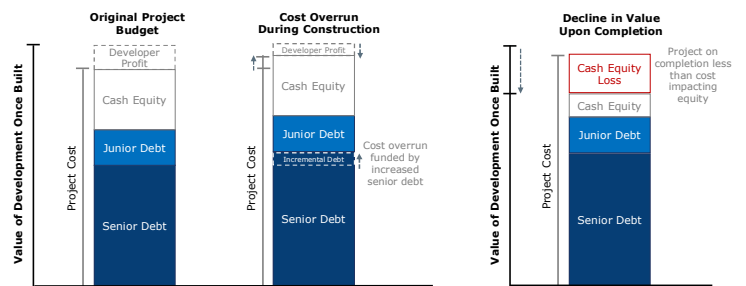
Equity at Risk

- In Australia’s Syndicated & Club-Style Loan Market, except for large investment grade ASX-listed corporates, almost all corporate loans are secured.
- Security is over all the rights and assets of the borrower, its shares and often guarantees from a parent company or owner/sponsor.
- If a loan defaults, a lender can enforce on its security and recover amounts owing. Australia’s personal bankruptcy and corporate insolvency legal regime is protective of the rights of lenders.
- A lender will ensure equity wears the risk of underperformance by advancing an amount of debt commensurate with the risks of the company or project, and will structure a loan with covenants and controls to enable a lender to act to protect itself where necessary.
- A lender negotiates covenants and controls to ensure they have a mechanism to monitor and act to protect the value of their investment where risk arises. Project loans are structured around a pre-approved construction budget with controls around the release of funding drawdowns.
- These examples show how equity wears the risk of loss before debt, including in adversity.

Example of Equity at Risk in a Corporate Loan



Example of Equity at Risk in a CRE Loan



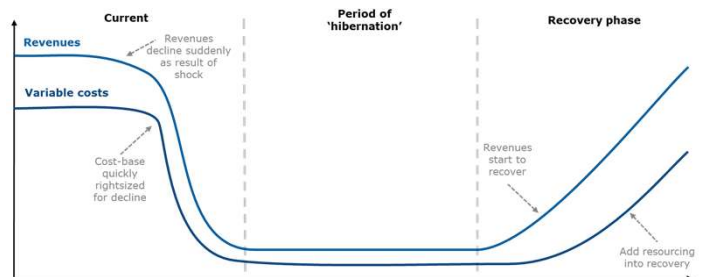
Working Capital Liquidity Squeeze

A working capital liquidity squeeze brought on by a sudden shock like a pandemic require business to quickly right size their cost base to ensure they can trade on within resource capacity.

Earnings Impact

- Sudden unanticipated deterioration in revenues.
- Management move to quickly reduce costs:
 - Reduce / renegotiate labour cost
 - Negotiate rental relief with landlords
 - Slow down outstanding supplier payment
- Once cost base is rightsized, trade business on in a manner reflective of the uncertain outlook.
- With recovery, revenues typically grow faster than costs driving margin expansion.

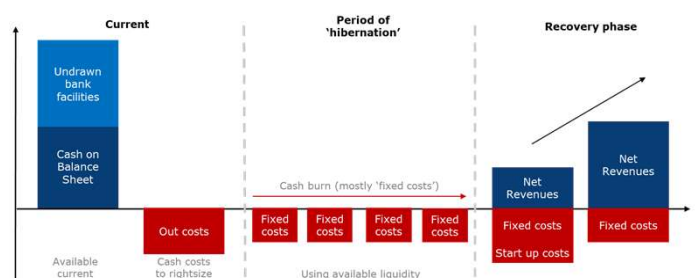
Response to Liquidity Shock



Cash Flow Impact

- Initial expenses associated with rightsizing the cost base (i.e. pay out redundancy entitlements)
- Assess available liquidity:
 - Cash on balance sheet
 - Lines of credit available from bank
- Available liquidity assessed in light of projected earnings and cash burn. Government has legislated temporary headroom for Company Directors loosening Director Duties obligations.
- With recovery, start incurring expenses to grow. This requires cash (i.e rebuild working capital).

Managing Liquidity



Portfolio Impact of COVID-19 Pandemic

Some borrowers in MXT's underlying loans are experiencing disruption albeit impacting equity values rather than the value of the debt facilities. Disruption is different depending on whether the borrower is a corporate or project. The volatility evident in public equity, fixed income and offshore credit markets is absent in Australia's bank-dominated Corporate Loan Market, reflecting a private market where borrowers and lenders engage directly and where credit risk is the primary focus. This economic shock is expected to trigger a variety of financial covenants requiring borrowers to update lenders and negotiate alternative arrangements.

The speed and severity of the economic impact of this pandemic has resulted in increased credit risk management across MXT's portfolio, however based on current information and the appropriate response of management, it is believed that the potential risk of loss still firmly resides with equity. It is also expected that if a borrower were to default there are a number of ways in which exposures can be managed to potentially avoid the risk of loss to lenders. At present, in MXT's underlying investments there are no borrowers in default, no bad debts and no arrears of either principal or interest. **Past performance is not a reliable indicator of future performance.**

Supply Impact

- For Corporate borrowers the supply of some inputs has been disrupted due to reliance on offshore markets and China in particular. Factory closure was the primary cause rather than logistics issues. MXT was exposed to a small number of borrowers who had experienced disruption awaiting supplies from China and were utilising inventories, however have since been advised supply is normalising as factories re-open.
- Project borrowers currently being impacted by supply issues are those that are reliant on specifically engineered building materials from China / offshore that have been delayed due to factory shut downs or delays in global supply chains. Examples include lifts, building façade components or specific technical components for large infrastructure projects. While MXT has some exposure to construction there is not any notable evidence of delays as sites have been able to source alternate supplies or re-sequence programmes to achieve outcomes.

Demand Impact

- Industries most immediately impacted by the sudden fall in demand are the Discretionary Retail, Education, Tourism & Travel, Hotels & Hospitality, Entertainment and Consumer Auto sectors. Revenues have declined as travel bans impacted volumes and most recently government enforced temporary cessation of trading.
- Projects impacted are those that have recently reached completion with construction facility repayment tied to settlement of completed apartments / land lots. Borrowers to whom MXT is exposed have not experienced any failure of purchasers to settle although there has been some delays where buyers cannot undertake presettlement physical inspections of properties. MXT has 8.5% of loans to which it is exposed currently repaying from settlements.

Liquidity Impact

- Across the economy there is clearly evidence of liquidity stress with borrowers actively engaged with lenders regarding liquidity. With uncertainty regarding the longevity of this pandemic, lenders are looking out 12 months in advance. Industries most impacted are also Australia's largest employers and commercial property tenants. The impact being felt in these industries is severe, and government assistance has been necessary. Banks are being instructed to engage proactively with borrowers and the government has taken steps (financially and legally) to facilitate this.
- Project borrowers experiencing liquidity issues are those that have new project commencement delays which increase holding costs or if there is loss of tenant income due to retail closures. MXT has exposure to pre-development sites however a number of these generate holding income from previous use or sponsor guarantees that have other income sources. MXT has no direct commercial real estate exposures to the retail sector of any note.

Management of credit risk during COVID-19

- MXT's investment manager is of the view that some loans held within the Trust are exposed to a working capital / liquidity squeeze and it is noted that lenders are working constructively with company management.
- Where necessary some borrowers are seeking to defer the cash payment of interest (requested to capitalise) until operations normalise and some covenant waivers have been requested. As part of this process lenders will negotiate or renegotiate appropriate controls and pricing to reflect the current circumstances and to ensure the preservation of their capital.
- In all cases, the investment manager of the Underlying Funds, is actively engaged with borrowers and is comfortable that valuation risk remains firmly with equity. At this point equity and debt are highly aligned and motivated to preserve equity value for shareholders.
- The portfolio of assets has been reviewed on the basis of the following key credit risks:
 - Available cash on balance sheet
 - Available committed undrawn revolving credit facilities available to the company.
 - Projected reduction to fixed operating costs as the impacted company goes into "hibernation"
 - Rate of projected cash burn and risk of less than 12 months liquidity buffers
 - Projected increase in leverage of the company as a result of the temporary impact to the business operations during the current period of dislocation.
 - Projected lower earnings upon re-commencement of resumed business operations.
 - Reduction to Enterprise or Project Values reflecting the changed market outlook.
- This analysis not only allows management of the current impact of the cashflow / liquidity squeeze but provides a basis for risk assessment once the period of pandemic induced market dislocation no longer exists.
- This analysis was completed and provided to the international accounting firm to assist with the month end portfolio credit review which is the basis upon which the NAV is calculated.

Standard & Poor's Rating Upgrade

- On 30 March global credit ratings agency Standard & Poor's (S&P) upgraded its issuer credit rating on Metrics Credit Partners Diversified Australian Senior Loan Fund (**MCP DASLF**) from BBB+ to A- with a stable outlook. The MCP DASLF comprises ~60% of MXT's underlying invested capital on a look through basis.
- S&P stated 'we consider that MCP DASLF's exposure to credit risk is low, relative to most of its rated peers. Since inception in June 2013, the fund has not experienced any material impairments in its portfolio, demonstrating sound underwriting across a portfolio that has lower underlying credit risk than its rated peers'.

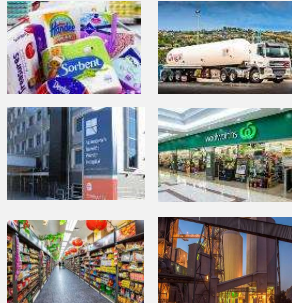
Further information

- In January MXT's responsible entity announced a capital raising for MXT under an Entitlement and Shortfall Offer (**Offer**). The Offer was well supported with approximately \$350m successfully raised as announced to the ASX. On 12 March 2020, MXT's responsible entity announced that the Offer was to be withdrawn in light of market volatility and in investors best interests. MXT units were trading at a discount to NAV (proposed Issue Price) at the time and it was considered appropriate to refund all applications under the Offer.
- The Responsible Entity of MXT maintains its intention to pay cash distributions monthly (subject to discretion and factors including (without limitation) future earnings, capital requirements, financial conditions and future prospects). Metrics (in its own right and via funds managed by Metrics) has been active in acquiring units in MXT.
- As a result of market conditions, debt structures are likely to become more conservative and loan pricing has begun to increase and may continue further. It is expected that this is likely to provide attractive lending opportunities for experienced and skilful managers with the ability to appropriately screen and structure transactions. Further capital raises may be undertaken in the future to capitalise on these opportunities.

MXT’s Variety of Borrowers & Types of Loan Products

Corporate Lending

- Large ASX-listed and private companies
- Lending against future cash flows and assets of business
- Both secured and unsecured
- Bank-dominated market



Commercial Real Estate (CRE) Lending

- Large ASX-listed and private real estate development companies
- Brownfield and construction financing to large CRE borrowers and projects



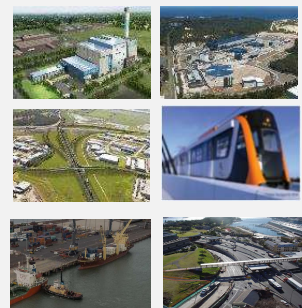
Leveraged & Acquisition Finance

- Corporate and Private Equity event driven acquisition financing
- Lending against future cash flows and assets of business
- Fully secured including shares, dividends restrictions to repay debt



Project Finance & Infrastructure Lending

- Brownfield and construction financing to asset owners and project sponsors.
- Often providing funding to complete construction



ABOUT THE INVESTMENT MANAGER OF MXT

The responsible entity of MXT has appointed Metrics as the investment manager of MXT. Metrics is an alternative asset manager with expertise in fixed income, private credit, equity and capital markets. Metrics has significant experience in corporate and institutional lending and currently manages assets in excess of A\$5b. Metrics Investment Team is comprised of senior and experienced market specialists with on average 30 years’ experience investing in and managing corporate debt assets (loans, bonds and associated products).

ENQUIRIES

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Unit Registry	P 1300 816 157	E metrics@automicgroup.com.au	

NOTES Past performance is not a reliable indicator of future performance. (1) As at close of business 31 March 2020 (2) Ex-distribution (3) Annualised (4) IPO October 2017 (5) Where last day of the month is a non business day returns based on estimated unit price at month end (6) RBA reduced cash rate by 25 bps in June 2019, 25 bps in July 2019, 25 bps in October 2019 and 50 bps in March 2020 (to 25 bps p.a.) (7) Rated by Metrics including where not rated by public agencies (8) MSCI and Standard & Poor’s Global Industry Classification Standard.

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